

# Reality check: ESOP grants to founders

Experts question why such endowments in India's new-age companies are not comprehensively linked with performance targets

DEEPEKSHAR CHOUDHURY  
Bengaluru, 22 April

On any day, one can find founders of Indian tech companies holding up their Silicon Valley peers like Elon Musk as role models, talking about things like innovation and regulation where the US tech hub fares much better.

Of course, comparisons always sound sweeter when others are playing ball, not when the ball lands in their court. One such instance is corporate governance related to stock grants.

"In the West, the best practices for stock grants are for incentivising top executives to achieve specific performance goals in the future. Some founders of tech companies in India are getting stock grants as rewards for past performance and without the conditionality of attaining targets going forward," said Mohandas Pai, former CFO of IT behemoth Infosys.

Earlier this month, fintech major Paytm's founder and CEO Vijay Shekhar Sharma said in a letter to shareholders that his stock options in the company will vest only when its share price crosses the initial public offering (IPO) level on a sustained basis.

After a blockbuster IPO where Paytm's scrip was priced at ₹2,150, the company has been on a downhill trajectory starting from its battered debut on the bourses. As of Thursday noon, it was trading at ₹641 — 70 per cent below its IPO price.

"That letter to shareholders means nothing in my view. First, it does not define what sustainable means: Does it mean the average price of one month, six months or one year? And more importantly, it is only the pre-IPO investors such as venture capital and private equity firms who will benefit if the price just crosses the IPO level when their lock-in expires and they can cash out comfortably," said an analyst of a brokerage firm who requested anonymity.

"The mutual funds and retail investors stand to only lose

LOOKING WESTWARD	
Company	Stock grant riders
Tesla	Under a 2018 plan, founder Elon Musk was eligible to receive \$56 billion worth of stock options over 10 years on the condition that he grew Tesla's market cap to \$650 billion by 2028. Revenue and EBITDA goals were also set
Airbnb	Stock grants with a 10-year timeline for 12 million restricted stock units to founder Brian Chesky are tied to the company's stock hitting pre-defined targets
DoorDash	Specific number of restricted stock units to be awarded to founder Tony Xu after the company's stock price hits a level. Total of nine price targets were set
Robinhood	Board approved awards of more than 35 mn restricted stock units to co-founders which will vest over eight years after the IPO, depending on how the company's stock price performs
Bird	Founder and CEO Travis VanderZanden's compensation package to give him as much as an extra 7.5 per cent of the company. But, three-fourths of VanderZanden's award was tied to performance targets

Source: Company filings, news reports

and come out of this charade of battered tech stocks with a red face," he added.

Another grouse that industry insiders have about the company's employee stock option plan (ESOP) is the lopsided exercise price with Sharma, who owns 9.1 per cent in the company, accounting for a lion's share of the grants.

"Paytm had issued around 28 million ESOPs just before its IPO. These ESOP grants are deep in-the-money (exercise price of ₹9 versus IPO price of ₹2,150). Hence, ESOP costs are elevated for Paytm, and this will be a recurring annual expense of around ₹1,600 crore going forward," said analysts of brokerage firm Macquarie in a report earlier this year.

"Interestingly, around 76 per cent of the ESOPs granted before IPO were to the founder-CEO, Vijay Shekhar Sharma,"

with 90 per cent of the total votes supporting it.

"Granting stocks to founders just before the IPO at very low prices is a perverse thing to do as they are rewarding past performance, if any, and making future shareholders pay the cost in the form of a compensation charge. These kinds of things happen because the board members of these companies are not doing their jobs properly," said Pai.

However, one important thing to note is that granting founders huge stock compensation before IPOs is something Silicon Valley companies do as well — and the issue has attracted controversy on Wall Street in the recent past for start-ups such as Bird, Archer Aviation, Palantir and DoorDash.

In India, experts are of the view that such problems are cropping up because of a confusion over what the over-hyped tag of "Founder" really means. "Quite a few of these new-age companies do not have any identified promoters. Traditionally, a founder or entrepreneur upon public listing would be a promoter and regulations do not allow promoters to get any stock grants," said Suraj Malik, senior advisor at Burgeon Law who works with family offices.

"Today, tech start-ups are also elevating senior management personnel who might have come in later as co-founders. In a way, this tag does not create any obligations that apply to promoters and also permits them to be a part of the stock compensation structure," he added.

A veteran venture capital investor with multiple unicorns under his belt said these are still early days of tech start-ups going public and such issues will get ironed out eventually.

"In our world, start-up founders may get rewarded with ESOPs for things like being able to bump up the valuation in a subsequent round of funding or successfully navigating an acquisition of a significant competitor. With time, the companies that list in the share market will understand what behaviour is rewarded there," he explained.

"Also, the new-age companies have mostly sold 10-15 per cent of their entire shareholding in the IPOs. That's why incoming investors have not been able to get their way in terms of corporate governance. It remains to be seen what happens when the PE-VC investors cash out over the next one year," he added.

the report added.

But it is not just Paytm shareholders who have to bear the weight of stock grants to founders.

Zomato granted 368 million ESOPs to founder and CEO Deepinder Goyal in April of 2021, just before its IPO plans were announced. The grant was approved by its private shareholders before the IPO in July, but again had to be ratified after the listing to align with regulations in September last year.

That's when as many as 61 per cent of the food aggregator's institutional investors, who hold 15.5 per cent in the company, voted against the ESOP plan, according to data collated by Institutional Investors Advisory Services. But the proposal went through nevertheless as 100 per cent of public non-institutional shareholders, which include VC and PE firms, voted in favour,

# Amway's ED troubles turn focus on direct-seller vs pyramid model

SURAJEET DAS GUPTA  
New Delhi, 22 April

The Enforcement Directorate (ED) on Monday attached assets worth over ₹757 crore belonging to Amway India Enterprises under the anti-money laundering law. Here's a look at why the ED took this step and why the Amway model came under scrutiny.

**Why did ED freeze Amway India's assets worth ₹757 crore?** The ED alleged that Amway was running a pyramid scheme fraud in the guise of direct-selling multi-level marketing. It also argued that prices of most products offered by the company were exorbitant compared to alternative popular products of reputed manufacturers available in the open market. The company maintains the action was related to a case in 2011 and it has been cooperating with the investigative agency on the issue since then.

**So, what is the difference between "direct-selling" and a "pyramid scheme"?** In 2016, the ministry of consumer affairs came out with a model framework of guidelines for states for the first time on direct-selling companies that were involved in multi-level marketing. The guidelines made a clear distinction between such companies and those running pyramid schemes. Under the guidelines, direct-selling companies were not supposed to run a pyramid scheme in the guise of multi-level marketing. Currently, 17 states have adopted and implemented these guidelines.

**What is the genesis of the problem between Amway and other direct-sellers and the government?** Direct-sellers like Amway have from the beginning been asking for a monitoring law under which the differentiation between direct-sellers like them and fraudulent structures like pyramid and money circulation schemes is clearly established. Between 2009-2016, the government set up several inter-ministerial committees and groups to address the concerns of the direct-selling industry.

However, due to lack of clarity on which law should regulate direct-selling companies, many, like Amway India, were hauled up under the Prize Chits and Money Circulation Schemes (Banning) Act, 1978, which is meant to ban such schemes mostly in the financial services space.

This led former Amway India CEO and MD William Pinckney, who had been arrested twice on various charges, to publicly say that they don't run a chit funds scheme but an FMCG company.

There was also debate on whether multi-level marketing is legal. However, that issue was resolved as most consumer businesses and FMCG companies have a multi-level market-

A pyramid scheme was defined as a multi-layered network of subscribers in which subscribers enrol more subscribers to accrue benefits. In this model, the participant who joins the earliest makes most money, while those who join later make the least. Unlike in a pyramid model, in direct-selling there is no such provision that a direct-seller will receive remuneration or incentives for

recruiting new participants. The remuneration is based solely on the sale of goods and services.

Two, in direct-selling there is no entry cost, unlike in a pyramid scheme where there is a hefty joining or registration fee. Amway does not charge a joining or registration fee. Three, direct-sellers are not mandated to make periodic purchases unlike in a pyramid model where they have to. In this respect, too, Amway follows the direct-sellers' way. Four, direct-selling companies also have a licence to sell or own trademarks of products promoted by them (which Amway does). In pyramid schemes, one can offer products without having any such licence to sell.

**Did the guidelines resolve the problem?** Only partially. In 2019, the government notified the Consumer Protection Act, which incorporated the concept and meaning of direct-selling by providing a definition. The Act came into effect in July 2020. In November 2019, the government came up with the Draft Consumer Protection (Direct Selling) Rules 2019 for public consultation, which was followed by two more revised drafts after discussions with stakeholders. After two years of

consultations, the government notified the Consumer Protection (Direct Selling) Rules 2021, which came into effect on March 27, 2022.

**Did these 2021 rules satisfy the direct-selling industry, which has been lobbying for a clear distinction between a direct-sellers-based multi-level marketing model and those using a pyramid structure?**

The direct-selling industry says the Consumer Protection (Direct Selling) Rules, 2021 have not incorporated the definition that was there in the draft discussion. The "direct selling network", it had said, is formed by a direct-selling entity and includes a multi-layered network of direct-sellers in which such sellers introduce or sponsor further levels of direct-sellers and whereupon support them in order to receive any benefit. And such benefit is solely as a result of sales of goods and services. This, they say, clearly differentiates them from a pyramid structure.

The department of consumer affairs is now working towards bringing necessary amendments to the 2021 rules, but the final outcome is not yet known.

## A clarification

The reference to private-sector survey data in our editorial, "Speculation without data", published on Thursday, April 21, was not meant to include CMI's Consumer Pyramids Household Survey or CPHS. The editorial did not consider the CPHS as either piecemeal or incomplete and the reference was in general to private-sector surveys.

NEWSMAKER / **AJAY KUMAR SOOD** / PRINCIPAL SCIENTIFIC ADVISOR TO THE PM

# Thinking outside the silos

ADITI PHADNIS

"What does he do in his spare time? I don't think he has any spare time!" exclaimed Shankar Ghosh about Ajay Kumar Sood (71) who has just been appointed Principal Scientific Advisor (PSA) to the Prime Minister, which makes him the go-to man for the government on all matters relating to science policy.

Ghosh teaches at the Tata Institute of Fundamental Research (TIFR). Sood was his PhD supervisor. Guru and *shishya* hold, among others, a joint US patent that is a "method for measurements of gas flow velocity, method for energy conversion using gas flow over solid material, and device thereof".

And no, that can't be simplified. But what it does tell us is the quality of catholicity in the new PSA. Ghosh says this is essential for a scientist who is tasked with rolling out public policy. "Scientists have a tendency to stick to silos: 'I know my stuff and I'm a super specialist in my field'. He's a person who has actually crossed disciplines, and has a broad and deep understanding of many fields."

Sood started his career with Raman spectroscopy, where he made seminal contributions in the field of semiconductors. But simultaneously he was working on colloids, which is a very different field of enquiry. Then he went on to do theoretical work, crisscrossing bio-physics, statistical mechanics, material science problems.... "You will not find many people with such a breadth of knowledge and understanding of various fields, which is very important for a person who is dealing with the policy field," Ghosh says.

This is true of most PSAs: Sood's predecessor, K VijayRaghavan, a biologist, for instance, helped the government navigate the Covid-19 pandemic, leading task forces on vaccine and drug development as well as pandemic management, and for that he was retained as PSA, though his term ended in 2021. It is the nature of the beast: the PSA's office coordinates with many min-



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**In his new job, Sood will have to complete a task his predecessor started: getting the government to sign off on a new Science, Technology, and Innovation Policy (STIP) on which work was begun in 2020**

istries and advises the government in science and technology policies and interventions that are of strategic socio-economic importance. It also advises institutions, academia and industry.

In his new job, Sood will have to complete a task his predecessor started: getting the government to sign off on a new Science, Technology, and Innovation Policy (STIP) on which work was begun in 2020. The draft is in the public domain. Vijay Raghavan absorbed the core political priorities of the government and one of the aims of the new policy is "for India to march ahead on a sustainable development pathway to include economic development, social inclusion and environmental sustainability for achieving an Atmanirbhar Bharat". The policy notes that emergence of disruptive and impactful technologies poses new challenges and simultaneously greater opportunities.

What also happened during this period is the creation for the first time ever of the National Research Foundation (NRF) with an outlay of ₹50,000 crore in Union Budget

**Punjab State Power Corporation Limited**  
(Regd. Office: PSEB Head Office, The Mall, Patiala 147001)  
Phone No:- 0175-2207649, Email id:-se-itl@pspcl.in  
Corporate Identity No. 440109PB2010SGC033813 Website: www.pspcl.in

<b>Tender Enquiry No. 270/DIT-1073/Vol-1</b>	<b>dated 21.04.2022.</b>
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Superintending Engineer/IT (A&PM), Ground Floor, 7-Story Building, PSPCL Head Office, The Mall, Patiala invites e-tender for Procurement of Desktop PCs (AIO / Tower Type), Laptops, Multi-functional Printers, Network Laser Printers, Dot Matrix Printers, UPS & Bar Code Readers for various offices of PSPCL. For detailed NIT & Tender specifications please refer to https://eproc.punjab.gov.in from 21.04.2022, 4:00 pm onwards.

**Note:-** Corrigendum & addendum, if any will be published online at https://eproc.punjab.gov.in

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**INDOCO REMEDIES LIMITED**

Regd. Office: Indoco House, 166 CST Road, Kalina, Santacruz (East), Mumbai - 400098  
Tel: 62871000 / 33861250 Email : compliance.officer@indoco.com  
Web : www.indoco.com CIN : L85190M1947PLC005913

**NOTICE**

Notice is hereby given that a meeting of the Board of Directors will be held on Tuesday, 17<sup>th</sup> May, 2022, to consider, inter-alia, the following

- take on record the audited financial results of the Company for the quarter and year ended 31<sup>st</sup> March, 2021
- Recommendation of final dividend, if any, for the financial year 2021-2022.

This Notice shall also be available on the website of the Company at [www.indoco.com](http://www.indoco.com) and on the websites of BSE Limited at [www.bseindia.com](http://www.bseindia.com) and National Stock Exchange of India Limited at [www.nseindia.com](http://www.nseindia.com).

By order of the Board  
For Indoco Remedies Ltd.

S/d  
Jayshankar Menon  
Company Secretary & AVP (Legal)

**Place : Mumbai**  
**Date : April 22, 2022**

**SJVN Thermal (P) Ltd.**  
CIN:U31908BR2007PTC017646  
(A Wholly Owned Subsidiary of "SJVN Ltd. - A Mini Ratna & Scheduled 'A' CPSE under Govt. of India")

**PRESS NOTICE Bid No.- GEM/2022/B/2122609**

Open tender enquiry through e-tender on Domestic Competitive Bidding (DCB) are invited on behalf of SJVN Thermal (P) Ltd. (STPL) through GeM for "Procurement of Godrej Office furniture items for Buxar Thermal Power Project, Chausa, Buxar, Bihar". For details, please visit [www.sjvn.nic.in](https://www.sjvn.nic.in), <https://gem.gov.in> and [www.eprocure.gov.in](http://www.eprocure.gov.in).  
Last date for bid submission is 07.05.2022 (16:00Hrs)  
Amendment (s), if any, shall be issued on above websites only.

**Head (Contracts), STPL**  
2nd Floor, Navdurga Complex,  
Ambedkar Chowk, Collectorate Road, **Buxar, Bihar - 802103**  
Tel./Mob. No.-06183 295154/9418027517 Email: [pcdbtpp@sjvn.nic.in](mailto:pcdbtpp@sjvn.nic.in)

**AXISCADES Technologies Limited**  
CIN: L72200KA1990PLC08435  
Ph. 080-41939000, Fax: 080-41939099  
Website: [www.axiscades.com](http://www.axiscades.com) Email: [investor.relations@axiscades.com](mailto:investor.relations@axiscades.com)

**NOTICE OF DISPATCH OF POSTAL BALLOT**

NOTICE is hereby given that the Board of Directors of the Company has proposed to seek the shareholders' consent to the Ordinary/Special Resolutions approving the following:

- Appointment of Mr. Arun Krishnamurthi (DIN: 09408190) as Director of the Company
- Appointment of Mr. Arun Krishnamurthi (DIN: 09408190) as Chief Executive Officer and Managing Director of the Company
- Appointment of Mr. David Abkhir (DIN: 03160720) as Non-Executive Non-Independent Director of the Company
- Appointment of Mr. Abhishek Kumar (DIN: 01763213) as Non-Executive Non-Independent Director of the Company

In accordance with the applicable laws, the Postal Ballot Notice has been sent on April 22, 2022 only through electronic mode to those members whose email addresses are registered with the Company/Depositories and whose names are recorded in the Register of Members of the Company or in the Register of Beneficial Owners maintained by the Depositories as on Friday, April 15, 2022 (Cut-off date).

A copy of the Notice is available on the website of the Company at [www.axiscades.com](http://www.axiscades.com), website of the stock exchanges i.e. BSE Limited and National Stock Exchange of India at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively and on the website of KFin Technologies Limited at <https://evoting.kfintech.com>.

The Company has engaged the services of KFin Technologies Limited to provide Remote e-Voting facility to its members. The Remote e-Voting will commence on Monday, 25th April, 2022 at 9:00 a.m. (IST) and will end on Tuesday, 24th May 2022 at 05:00 p.m. (IST). During this period, Members of the Company holding shares as on the Cut-off date may cast their vote electronically. The Remote e-Voting will be blocked by KFin Technologies Limited immediately thereafter and will not be allowed beyond the said date and time.

The Board of Directors of the Company has appointed Mr. Anant Khannakar of M/s Anant B Khannakar & Co., Company Secretaries, as the Scrutinizer to conduct the Postal Ballot through remote e-voting process in a fair and transparent manner.

The results of the Postal Ballot will be announced on or before Thursday, May 26, 2022.

For Members who have not registered their e-mail address with the Company/Depositories, please follow the instructions provided in the Notes to the Notice to receive the Postal Ballot Notice.

In case of any queries/grievances with the voting you may contact KFinTech's Toll Free No. 1800 309 4001.

**Date: 22nd April 2022**

**For AXISCADES Technologies Limited**  
Sd/- Sonal Dudani

**Weekend Business Standard**  
BENGALURU EDITION

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**No Air Surcharge**

**WENDT (INDIA) LIMITED**  
CIN No: L85110KA1980PLC003913

Regd Office: 105, 1st Floor, Cauvery Block, National Games Housing Complex, Koramangala, Bangalore - 560 047

Extract of Standalone and Consolidated Audited Financial Results for the Quarter and year ended March 31, 2022									
(Rs in lakhs, except EPS)									
SL No.	Particulars	Standalone Financial Results				Consolidated Financial Results			
		Quarter ended 31.03.2022	Quarter ended 31.03.2021	Year ended 31.03.2022	Year ended 31.03.2021	Quarter ended 31.03.2022	Quarter ended 31.03.2021	Year ended 31.03.2022	Year ended 31.03.2021
		Refer Note 4	Refer Note 4	Audited	Audited	Refer Note 4	Refer Note 4	Audited	Audited
1	Total Income from Operations	4,444	4,105	16,002	12,073	4,775	4,562	17,881	13,662
2	Profit before exceptional item and tax	995	758	3,541	1,653	1,028	700	3,691	1,700
3	Exceptional item (refer note 2)	74	-	74	-	-	-	-	-
4	Net Profit for the period before tax	1069	758	3615	1,653	1028	700	3691	1,700
5	Net Profit for the period after tax	797	597	2710	1,291	747	530	2707	1,277
6	Total Comprehensive Income for the period (Comprising Profit after tax and Other Comprehensive income after tax)	819	488	2656	1292	788	314	2,658	1,271
7	Paid-up equity share capital (Face value of Rs. 10/- per share)	200	200	200	200	200	200	200	200
8	Reserves excluding revaluation reserve			14,214	12,358			15,996	14,138
9	Earnings Per Share (EPS) (for the period - not annualised) (of Rs.10/- each)								
	Basic and Diluted EPS: (₹)	39.81	29.88	135.49	64.56	37.34	26.46	135.34	63.83

Notes: 1) The above is an extract of the detailed format of Quarterly / Yearly audited Financial results filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing and Other Disclosure Requirements) Regulations, 2015. The full format of the Quarterly unaudited / Yearly audited Financial Results are available on the Stock Exchange websites [www.bseindia.com](http://www.bseindia.com), [www.nseindia.com](http://www.nseindia.com) & Company's website [www.wendttindia.com](http://www.wendttindia.com).

2) The Board of Directors of the company had approved a proposal for voluntary de-registration of M/s. Wendt Middle East FZE ("WME"), a wholly owned subsidiary of the company located at Hamriyah Free Zone, Sharjah, UAE during January 2021 and the de-registration process was initiated during the previous year. During the year 2021-22, WME has substantially completed liquidation related procedures and also repaid back the share capital to the company. Further, clearance from the Hamriyah Free Zone Authority (HFZA) is awaited, after which WME will be de-registered. The gain on repayment of share capital by WME to the company has been recognised as an exceptional item in the financial results.

3) The Company has assessed the possible impact of COVID-19 pandemic on its financial results based on the information available upto the date of approval of these financial results and concluded that there is no material impact on the financial results. The company continues to monitor the future economic effects of the pandemic while taking steps to improve its execution efficiencies and the financial outcome.

4) The figures for the quarter ended March 31, 2022 and March 31, 2021, are the balancing figures between the audited figures in respect of the full financial year ended March 31, 2022 and March 31, 2021, respectively and the published unaudited year to date figures up to the third quarter of the respective financial years which were subjected to review by the statutory auditors.

5) The Board of Directors have recommended a final dividend of Rs.45/- per share (450% on face value of equity shares of Rs.10/- each). The total dividend for the year 2021-22 is Rs.65/- per share (650% on face value of equity share of Rs. 10/- each) including the interim dividend of Rs. 20/- per share (200% on face value of equity share of Rs. 10/- each) declared at the Board Meeting held on January 21, 2022 and paid subsequently. The payment of final dividend is subject to the approval of the shareholders in the ensuing Annual General meeting of the company.

Place: Hosur  
Date: 22.04.2022

For and on Behalf of **Wendt (India) Limited**  
**Shrinivas G Shirgurkar**  
Chairman



